

26 February 2021

Joyce Corporation posts significant profit increase on strong consumer demand

Interim Dividend of 7 cents per share on Group Net Profit After Tax of \$7.6 million

Joyce Corporation (ASX:JYC or “Joyce”) is pleased to announce a significant uplift in revenue and profit and a record dividend from its first half of trading for the Financial Year Ending 30 June 2021.

Joyce’s operating businesses, KWB Group and Bedshed, were well positioned to meet strong demand from consumers for household goods, and housing renovations.

Group Revenue increased by 16% against the prior corresponding period (“pcp”¹) ending 31 December 2019, to **\$52.8m** resulting in **Group EBITDA** of **\$13.7m** (an 83% increase from the pcp) and **Group NPAT** of **\$7.6m**, a 119% increase compared to pcp. As at 31 December 2020 the **Group Net Cash** was **\$12.7m** compared to \$4.9m as at the pcp, an increase of \$7.8m or 159%.

NPAT attributable to Joyce Shareholders was **\$4.8m** compared to \$1.6m in the pcp and **Earnings Per Share** of **\$0.17** increased by over 200% against the pcp.

The Board has resolved to pay a record **fully franked interim dividend** of **7 cents per share**.

Review of results and operations

Overview of Group Results for half-year ended 31 December 2020^{1 2}

	2020	2019	Variance	
<i>Results from continuing operations</i>	\$'000	\$'000	\$'000	%
Revenue	52,855	45,458	7,397	16%
Contribution margin	27,785	22,199	5,586	25%
EBITDA	13,731	7,494	6,237	83%
NPAT	7,620	3,473	4,147	119%
NPAT Attributable to JYC Shareholders	4,806	1,560	3,246	208%
<i>Basic EPS (Continuing Operations)</i>	\$ 0.17	\$ 0.056	\$ 0.12	208%
<i>Dividend Per Share</i>	\$ 0.07	\$ 0.05	\$ 0.02	40%
<i>Results from discontinued operations</i>				
NPAT Discontinued	-	(1,028)	1,028	
NPAT	7,620	2,445	5,175	212%
NPAT Attributable to JYC Shareholders	4,806	984	3,822	388%
	At Dec 20	At Jun 20	Variance	
<i>Consolidated Group Cash</i>	\$'000	\$'000	\$'000	%
Cash and cash equivalents	18,203	10,643		
Loans and borrowings	(5,521)	(5,751)		
Group Net Cash	12,682	4,892	7,790	159%

¹ and ² See Reference Section at end of announcement

Joyce CEO Dan Madden said the work the Company had put in to position itself in its target retail markets, and close out legacy issues, had created the opportunity to convert robust market conditions into a strong result.

“It has been well-documented that COVID-19 restrictions have seen more Australians stay at home, and spend on their homes, over the course of 2020. Our strong brands, expanded network and investment in customer service have attracted strong demand in a growing household furnishings and home renovation market,” Mr Madden said.

“We have also finalised our involvement with the Lloyds Online auctions business, and this has freed us up to focus on operational excellence at KWB and Bedshed, while starting to turn our minds to the next phase of Joyce Corporation’s growth.”

Joyce Corporation also announced that it would return funds to the ATO from the JobKeeper payments the Group received from the Australian Government during the half year.

“JobKeeper played an important role in allowing us to continue our business and maintain our staff through the initial, highly uncertain, phase of the COVID-19 pandemic. Given the rebound in business performance during the first half of this financial year, we feel the right thing to do is to return funds to taxpayers.”

Operating performance

Joyce’s operating businesses, KWB and Bedshed, capitalised on robust consumer demand to convert higher sales levels into strong earnings growth. The extended lockdown in Victoria affected store availability for a significant part of the year. COVID-19 interruptions in other parts of Australia were limited.

The Company continues to invest in marketing to support its brands, and to build the skills of its people to enhance the customer experience.

	2020	2019	Variance	
	\$'000	\$'000	\$'000	%
<i>KWB³</i>				
Revenue	40,686	36,496	4,190	12%
Net Profit before Tax	8,299	5,602	2,697	48%
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<i>Bedshed</i>				
Revenue	12,169	8,962	3,207	36%
Net Profit before Tax	4,229	1,274	2,955	232%
³ Results shown are 100% of KWB. Joyce holds a 51% Interest in KWB				

See Reference Section at end of announcement

KWB

KWB continued to see strong growth with revenue and NPBT increasing during the reporting period by 12% and 48% respectively against pcp.

KWB continued to deliver on store expansion plans with three new showrooms opened in NSW (Tweed Heads, Tuggerah and Castle Hill) in the six-month period to 31 December 2020. All three traded strongly compared to historic early trading volumes of previous newly established stores.

An additional KWB showroom in Artarmon NSW is planned to commence trading in the fourth quarter of the 2021 Financial Year with further expansion into NSW planned for the 2022 Financial Year.

Bedshed

The combined Bedshed Franchising and Company-owned operations revenue and NPBT grew during the reporting period to 31 December 2020 by 36% and 232% respectively against pcp.

Both the Bedshed Franchising and Company-owned Store businesses performed strongly in the first half of the 2021 Financial Year, backed by effective advertising campaigns and well-executed product range launches.

The Franchising operation more than doubled its NPBT in the first half of the 2020 Financial Year to \$1.55 million compared to the pcp whilst Company-owned Store operations increased their NPBT from \$0.56 million to \$2.7 million over the same period.

Corporate

During the period, the Company appointed a new Chief Executive Officer, Mr Dan Madden, after a transition from previous CEO Mr Keith Smith. Mr Madden has extensive experience as Managing Director/CEO and Senior Executive roles in ASX listed and multinational organisations.

A key element of Joyce Corporation's Board succession plan occurred in November 2020, with Mr Jeremy Kirkwood assuming the role of Chairman, taking over from Mr Mike Gurry. Mr Gurry remains a non-executive director of Joyce Corporation.

Joyce also completed the sale of its interest in Lloyds Online, which has released cash into the Group and removed significant uncertainty and volatility from earnings.

As at 31 December 2020 the Group has a strong net consolidated cash position⁴ of \$12.7 million compared to \$4.9 million at 30 June 2020. Funds will be used for payment of the interim dividend (approx. \$2 million), the return of JobKeeper payments (approx. \$1 million from Jobkeeper payments received during the half year and made net of tax) and working capital and growth purposes.

The Board resolved to pay a record interim dividend of 7 cents per share, which represents approximately 50% of normalised profit (NPAT net of the JobKeeper payments received during the half year).

The Chairman, Mr Kirkwood, said Joyce is working towards a progressive dividend policy that is intended to provide shareholders with greater clarity on future dividends they can expect and deliver a steady increase in dividends over time, based on a percentage range of normalised profit.

"We are aiming for our full year dividend payments to be between 60-80% of normalised NPAT. Our interim dividend of 7 cents per share is approximately 50% of half year normalised NPAT and our full year dividend payment is intended to take us to the targeted range. Our full year target range is expected to be at or above the ASX average however we will be seeking to increase the payout ratio over time and feel the business is well placed for us to be able to do so." Mr Kirkwood said.

⁴ Group net consolidated cash position includes the net cash retained by 100% of the KWB business (of which Joyce owns 51%)

Outlook

Joyce will continue to invest in growing its network, with a near term focus on expanding KWB in growth areas of NSW. Interest remains strong for Bedshed franchises and further opportunities to grow that network are anticipated in 2021.

Mr Madden said that the Company remained cautiously optimistic in its outlook for the rest of the financial year and into the 2022 Financial Year.

“We have had a strong start to the current half as well, but we are mindful that COVID-19, and the response to it of both consumers and policy-makers, may be volatile. One of the risks is that consumer spending has been brought forward, which leaves open the question about how that will play out in the medium term.”

“We have maintained a strong connection to our customer base through this period by being proactive and keeping our supply chains and stores open as much as possible, whilst maintaining a focus on ensuring the health and safety of our staff, customers and partners. In the long term we believe our value proposition to consumers is a strong one, with leading brands, a unique product offering and the right people to deliver what our customers want.”

REFERENCES

This Announcement should be read in conjunction with the following documents lodged with the ASX on 26 February 2020 under the ASX ticker JYC:

- *Half Year Report for the period ended 31 December 2020.*
- *Appendix 4D*
- *Dividend/Distribution*
- *Financial Year 2021 Half-Year Results -Investor Presentation*

¹ *All pcg numbers are either “for the six-month period ending 31 December 2019” or “as at 30 June 2020” and are as disclosed in the Half Year Report for the period ended 31 December 2020 lodged with the ASX on 26 February 2020 (JYC: Half Year Report for the period ended 31 December 2020)*

² *All numbers are as disclosed in the Half Year Report for the period ended 31 December 2020.*

ENDS

This release has been authorised by the Board of Joyce Corporation Ltd

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